

BEDFORD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

## Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes in Net Assets	H 20
Statement of Cash Flows	I 21
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 22
Statement of Changes in Fiduciary Net Assets	K 23
Notes to Basic Financial Statements	24-34
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	35
Notes to Required Supplementary Information - Budgetary Reporting	36
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 38
Schedule of Changes in Special Revenue Funds, Student Activity Accounts	3 39-40
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	4 41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5 42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	43-44
Schedule of Findings	45-47

Bedford Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 election)</b>		
Layne Thornton	President	2006
Tony Brown	Vice President	2008
Jack Spencer	Board Member	2007
Ed Hensley	Board Member	2008
Mike Irvin	Board Member	2006
<b>Board of Education (After September 2006 election)</b>		
Tony Brown	President	2008
Mike Irvin	Vice President	2009
Jack Spencer	Board Member	2007
Ed Hensley	Board Member	2008
Layne Thornton	Board Member	2009
<b>School Officials</b>		
Joe Drake	Superintendent	2007
Sharon Hart	District Secretary/Treasurer	2007
Rick Engel	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Bedford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bedford Community School District, Bedford, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bedford Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2008 on our consideration of Bedford Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Members American Institute & Iowa Society of Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bedford Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 8, 2008

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Bedford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,380,722 in fiscal 2006 to \$4,476,862 in fiscal 2007, while General Fund expenditures increased from \$4,407,116 in fiscal 2006 to \$4,527,001 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$294,018 in fiscal 2006 to a balance of \$213,879 in fiscal 2007, a 27.26% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local source revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The October 2006 Certified Enrollment count resulted in a decrease of 25.9 students, representing a 5.07% decrease compared to the prior year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bedford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bedford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bedford Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Bedford Community School District Annual Financial Report**

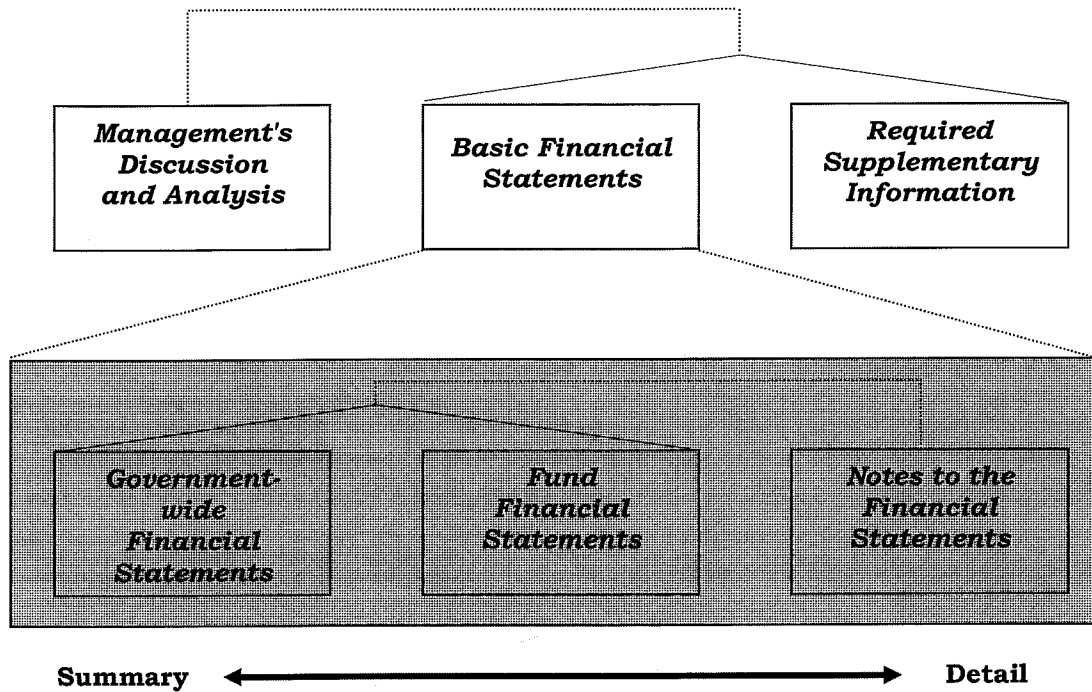


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



---

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund and the Private Purpose Trust Fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 3,421,196	3,297,981	28,278	21,462	3,449,474	3,319,443	3.92%
Capital assets	4,742,060	4,855,803	37,884	44,169	4,779,944	4,899,972	-2.45%
Total assets	8,163,256	8,153,784	66,162	65,631	8,229,418	8,219,415	0.12%
Long-term obligations	1,111,115	1,255,268	0	0	1,111,115	1,255,268	-11.48%
Other liabilities	2,543,947	2,459,653	25,255	29,151	2,569,202	2,488,804	3.23%
Total liabilities	3,655,062	3,714,921	25,255	29,151	3,680,317	3,744,072	-1.70%
Net assets:							
Invested in capital assets, net of related debt	3,712,060	3,985,895	37,884	44,169	3,749,944	4,030,064	-6.95%
Restricted	490,736	67,993	0	0	490,736	67,993	621.74%
Unrestricted	305,398	384,975	3,023	(7,689)	308,421	377,286	-18.25%
Total net assets	\$ 4,508,194	4,438,863	40,907	36,480	4,549,101	4,475,343	1.65%

The District's combined net assets increased by 1.65% or \$73,758 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$422,743 or 621.74% over the prior year. The increase was primarily a result of the reclassification of the Capital Projects, Physical Plant and Equipment Levy and the Debt Service fund balances for the invested in capital assets line to the restricted net assets line.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$68,865 or 18.25%. The decrease was primarily a result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 567,815	482,167	103,086	116,707	670,901	598,874	12.03%
Operating grants and contributions and restricted interest	623,283	598,241	181,154	180,050	804,437	778,291	3.36%
Capital grants and contributions and restricted interest	25,000	0	0	0	25,000	0	100.00%
General revenues:							
Local tax	1,662,602	1,667,865	0	0	1,662,602	1,667,865	-0.32%
Local option sales and service tax	295,923	250,323	0	0	295,923	250,323	18.22%
Unrestricted state grants	2,028,930	2,058,482	0	0	2,028,930	2,058,482	-1.44%
Other	49,884	66,363	30,123	105	80,007	66,468	20.37%
Total revenues	5,253,437	5,123,441	314,363	296,862	5,567,800	5,420,303	2.72%
Program expenses:							
Governmental activities:							
Instructional	3,186,137	3,065,313	0	0	3,186,137	3,065,313	3.94%
Support services	1,526,846	1,470,397	2,322	237	1,529,168	1,470,634	3.98%
Non-instructional programs	0	0	307,614	323,412	307,614	323,412	-4.88%
Other expenses	471,123	388,653	0	0	471,123	388,653	21.22%
Total expenses	5,184,106	4,924,363	309,936	323,649	5,494,042	5,248,012	4.69%
Changes in net assets	69,331	199,078	4,427	(26,787)	73,758	172,291	-57.19%
Net assets beginning of year	4,438,863	4,239,785	36,480	63,267	4,475,343	4,303,052	4.00%
Net assets end of year	\$ 4,508,194	4,438,863	40,907	36,480	4,549,101	4,475,343	1.65%

In fiscal 2007, property tax, local option sales and services tax and unrestricted state grants accounted for 75.9% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 90.4% of the revenue from business-type activities.

The District's total revenues were \$5,567,800 of which \$5,253,437 was for governmental activities and \$314,363 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 2.72% increase in revenues and a 4.69% increase in expenses. The local option sales and service tax increased by \$45,600 to fund the increases in expenditures. The increases in expenses related to increases in negotiated salary and benefits as well as increases in expenses fund by grants received by the District.

---

## Governmental Activities

Revenues for governmental activities were \$5,253,437 and expenses were \$5,184,106. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 3,186,137	3,065,313	3.94%	2,160,216	2,145,043	0.71%
Support services	1,526,846	1,470,397	3.84%	1,525,547	1,469,745	3.80%
Other expenses	471,123	388,653	21.22%	282,245	229,167	23.16%
Totals	<u>\$ 5,184,106</u>	<u>4,924,363</u>	<u>5.27%</u>	<u>3,968,008</u>	<u>3,843,955</u>	<u>3.23%</u>

- The cost financed by users of the District's programs was \$567,815.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$648,283.
- The net cost of governmental activities was financed with \$1,662,602 in local tax, \$295,923 in local option sales and service tax, \$2,028,930 in unrestricted state grants, \$56,652 in interest income and \$32,494 in other general revenues.

## Business-Type Activities

Revenues of the District's business-type activities were \$314,363 and expenses were \$309,936. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Bedford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$772,692, above last year's ending fund balances of a \$748,024. The primary reason for this increase was due to the increase in the Capital Projects Fund balance.

## Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. The increase in revenues was not enough to offset the District's increase in General Fund expenditures ensuring the decrease of the District's financial position.
- The Capital Projects fund balance increased from \$317,513, in 2006, to \$393,850, in 2007, due to expenditures were less than the collection of local option sales and services tax revenues.

---

## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$36,480 at June 30, 2006 to \$40,907 at June 30, 2007, representing an increase of 12.1%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$118,263 more than budgeted revenues, a variance of 2.18%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$4.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.51% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$261,502.

The original cost of the District's capital assets was \$7,880,258. Governmental funds account for \$7,762,785 with the remainder of \$117,473 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category. The District's buildings totaled \$4,378,516 at June 30, 2006 compared to \$4,267,738 at June 30, 2007. This decrease was the result of current year depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 19,900	13,400	0	0	19,900	13,400	32.66%
Buildings	4,267,738	4,378,516	0	0	4,267,738	4,378,516	-2.60%
Land improvements	284,953	295,187	0	0	284,953	295,187	-3.59%
Machinery and equipment	169,469	168,700	37,884	44,169	207,353	212,869	-2.66%
Total	\$ 4,742,060	4,855,803	37,884	44,169	4,779,944	4,899,972	-2.51%

### Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$1,111,115 in general obligation and other long-term debt outstanding. This represents a decrease of 11.5% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$930,000 at June 30, 2007.

---

The District had total outstanding capital loan notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$100,000 at June 30, 2007.

The District had total outstanding early retirement payable from the Special Revenue, Management Fund of \$81,115 at June 30, 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 930,000	1,105,000	-15.8%
Capital loan notes	100,000	115,000	-13.0%
Early retirement	81,115	35,268	130.0%
Total	<u>\$ 1,111,115</u>	<u>1,255,268</u>	<u>-11.5%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of Taylor County passed the Local Options Sales and Service Tax for School Infrastructure (SILO). This 1 cent tax on sales and service will greatly benefit the District in maintaining their building, purchasing equipment and paying long-term debt. Funding began in January 2005 and will continue through December 2014.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharon Hart, Board Secretary, Bedford Community School District, 906 Penn Street, Bedford, Iowa, 50833.

BASIC FINANCIAL STATEMENTS

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 506,199	0	506,199
Other	943,787	0	943,787
Receivables:			
Property tax:			
Delinquent	40,792	0	40,792
Succeeding year	1,545,384	0	1,545,384
Income surtax	107,181	0	107,181
Accounts	5,737	26	5,763
Accrued ISCAP interest (Note 4)	151	0	151
Due from other governments	271,965	21,360	293,325
Inventories	0	6,892	6,892
Capital assets, net of accumulated depreciation (Note 5)	4,742,060	37,884	4,779,944
<b>Total Assets</b>	<b>8,163,256</b>	<b>66,162</b>	<b>8,229,418</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	0	4,845	4,845
Accounts payable	103,993	0	103,993
Salaries and benefits payable	381,055	18,002	399,057
ISCAP warrants payable (Note 4)	507,000	0	507,000
ISCAP interest payable (Note 4)	129	0	129
ISCAP unamortized premium	3,762	0	3,762
Interest payable	2,624	0	2,624
Deferred revenue:			
Succeeding year property tax	1,545,384	0	1,545,384
Unearned revenue	0	2,408	2,408
Long-term liabilities (Note 6):			
Portion due within one year:			
Bonds payable	175,000	0	175,000
Capital loan notes payable	20,000	0	20,000
Early retirement	81,115	0	81,115
Portion due after one year:			
Bonds payable	755,000	0	755,000
Capital loan notes payable	80,000	0	80,000
<b>Total Liabilities</b>	<b>3,655,062</b>	<b>25,255</b>	<b>3,680,317</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,712,060	37,884	3,749,944
Restricted for:			
Beginning teacher mentoring	1,006	0	1,006
Market factor	3,140	0	3,140
Debt service	17,931	0	17,931
Capital projects	393,850	0	393,850
Physical plant and equipment levy	33,714	0	33,714
Other special revenue purposes	41,095	0	41,095
Unrestricted	305,398	3,023	308,421
<b>Total Net Assets</b>	<b>\$ 4,508,194</b>	<b>40,907</b>	<b>4,549,101</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,745,748	275,361	431,995	0	(1,038,392)	0	(1,038,392)
Special instruction	726,034	91,755	27,410	0	(606,869)	0	(606,869)
Other instruction	714,355	199,400	0	0	(514,955)	0	(514,955)
	<u>3,186,137</u>	<u>566,516</u>	<u>459,405</u>	<u>0</u>	<u>(2,160,216)</u>	<u>0</u>	<u>(2,160,216)</u>
Support services:							
Student services	118,310	0	0	0	(118,310)	0	(118,310)
Instructional staff services	163,211	0	0	0	(163,211)	0	(163,211)
Administration services	572,725	0	0	0	(572,725)	0	(572,725)
Operation and maintenance of plant services	446,864	0	0	0	(446,864)	0	(446,864)
Transportation services	225,736	1,299	0	0	(224,437)	0	(224,437)
	<u>1,526,846</u>	<u>1,299</u>	<u>0</u>	<u>0</u>	<u>(1,525,547)</u>	<u>0</u>	<u>(1,525,547)</u>
Other expenditures:							
Facilities acquisition	78,675	0	0	25,000	(53,675)	0	(53,675)
Long-term debt interest	36,900	0	0	0	(36,900)	0	(36,900)
AEA flowthrough	163,878	0	163,878	0	0	0	0
Depreciation(unallocated)*	191,670	0	0	0	(191,670)	0	(191,670)
	<u>471,123</u>	<u>0</u>	<u>163,878</u>	<u>25,000</u>	<u>(282,245)</u>	<u>0</u>	<u>(282,245)</u>
Total governmental activities	5,184,106	567,815	623,283	25,000	(3,968,008)	0	(3,968,008)
Business-Type activities:							
Support services:							
Operation and maintenance of plant services	2,322	2,322	0	0	0	0	0
Non-instructional programs:							
Nutrition services	307,614	100,764	181,154	0	0	(25,696)	(25,696)
Total business-type activities	<u>309,936</u>	<u>103,086</u>	<u>181,154</u>	<u>0</u>	<u>0</u>	<u>(25,696)</u>	<u>(25,696)</u>
Total	<u>\$ 5,494,042</u>	<u>670,901</u>	<u>804,437</u>	<u>25,000</u>	<u>(3,968,008)</u>	<u>(25,696)</u>	<u>(3,993,704)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes					\$ 1,524,185	0	1,524,185
Capital outlay					57,498	0	57,498
Debt service					80,919	0	80,919
Local option sales and services tax					295,923	0	295,923
Unrestricted state grants					2,028,930	0	2,028,930
Unrestricted investment earnings					56,652	123	56,775
Transfers					(39,262)	30,000	(9,262)
Other					32,494	0	32,494
Total general revenues					<u>4,037,339</u>	<u>30,123</u>	<u>4,067,462</u>
Changes in net assets					69,331	4,427	73,758
Net assets beginning of year					<u>4,438,863</u>	<u>36,480</u>	<u>4,475,343</u>
Net assets end of year					<u>\$ 4,508,194</u>	<u>40,907</u>	<u>4,549,101</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 506,199	0	0	506,199
Other	516,731	268,699	158,357	943,787
Receivables:				
Property tax				
Delinquent	33,769	0	7,023	40,792
Succeeding year	1,306,946	0	238,438	1,545,384
Income surtax	107,181	0	0	107,181
Accounts	5,014	0	723	5,737
Accrued ISCAP interest(Note 4)	151	0	0	151
Due from other governments	123,951	148,014	0	271,965
<b>Total Assets</b>	<b>\$ 2,599,942</b>	<b>416,713</b>	<b>404,541</b>	<b>3,421,196</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 79,990	22,863	1,140	103,993
Salaries and benefits payable	381,055	0	0	381,055
ISCAP warrants payable(Note 4)	507,000	0	0	507,000
ISCAP interest payable(Note 4)	129	0	0	129
ISCAP unamortized premium	3,762	0	0	3,762
Deferred revenue:				
Succeeding year property tax	1,306,946	0	238,438	1,545,384
Income surtax	107,181	0	0	107,181
Total liabilities	2,386,063	22,863	239,578	2,648,504
Fund balances:				
Reserved:				
Debt service	0	0	17,931	17,931
Beginning teacher mentoring	1,006	0	0	1,006
Market factor	3,140	0	0	3,140
Unreserved	209,733	393,850	147,032	750,615
Total fund balances	213,879	393,850	164,963	772,692
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,599,942</b>	<b>416,713</b>	<b>404,541</b>	<b>3,421,196</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

**Total fund balances of governmental funds (page 15)** \$ 772,692

***Amounts reported for governmental activities in the  
statement of net assets are different because:***

Capital assets used in governmental activities are not  
financial resources and, therefore, are not report as  
assets in in the governmental funds. 4,742,060

Accounts receivable income surtax, are not yet available  
to finance expenditures of the current fiscal period. 107,181

Accrued interest payable on long-term liabilities is  
not due and payable in the current period and, therefore,  
is not reported as a liability in the governmental funds. (2,624)

Long-term liabilities, including bonds payable, capital loan  
notes payable and early retirement, are not due and payable  
in the current period and, therefore, are not reported as  
liabilities in the governmental funds. (1,111,115)

**Net assets of governmental activites (page 13)** \$ 4,508,194

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,385,264	295,923	263,505	1,944,692
Tuition	346,398	0	0	346,398
Other	105,234	13,114	205,632	323,980
State sources	2,449,830	0	0	2,449,830
Federal sources	188,966	0	25,000	213,966
Total revenues	4,475,692	309,037	494,137	5,278,866
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,679,422	0	35,267	1,714,689
Special instruction	726,034	0	0	726,034
Other instruction	513,967	0	200,388	714,355
	2,919,423	0	235,655	3,155,078
Support services:				
Student services	118,310	0	0	118,310
Instructional staff services	163,211	0	0	163,211
Administration services	569,759	0	7,154	576,913
Operation and maintenance of plant services	384,069	0	53,535	437,604
Transportation services	208,351	0	9,608	217,959
	1,443,700	0	70,297	1,513,997
Other expenditures:				
Facilities acquisitions	0	107,591	48,242	155,833
Long-term debt:				
Principal	0	0	190,000	190,000
Interest and fiscal charges	0	0	37,320	37,320
AEA flowthrough	163,878	0	0	163,878
	163,878	107,591	275,562	547,031
Total expenditures	4,527,001	107,591	581,514	5,216,106
Excess(deficiency) of revenues over(under) expenditures	(51,309)	201,446	(87,377)	62,760
Other financing sources(uses):				
Sale of equipment	1,170	0	0	1,170
Transfers in	0	0	146,529	146,529
Transfers out	(30,000)	(125,109)	(30,682)	(185,791)
Total other financing sources(uses)	(28,830)	(125,109)	115,847	(38,092)
Net change in fund balances	(80,139)	76,337	28,470	24,668
Fund balance beginning of year	294,018	317,513	136,493	748,024
Fund balance end of year	\$ 213,879	393,850	164,963	772,692

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 24,668

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal of capital assets for the current year, are as follows:

Expenditures for capital assets	\$ 153,573	
Depreciation expense	(255,217)	
Loss on disposal of capital assets	(12,099)	(113,743)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 13,833

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 190,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 420

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	(45,847)
------------------	----------

Changes in net assets of governmental activities (page 14) \$ 69,331

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	School Nutrition
<b>Assets</b>	
Accounts receivable	\$ 26
Due from other governments	21,360
Inventories	6,892
Capital assets, net of accumulated depreciation(Note 5)	37,884
<b>Total Assets</b>	<b>66,162</b>
<b>Liabilities</b>	
Excess of warrants issued over bank balance	4,845
Salaries and benefits payable	18,002
Unearned revenue	2,408
<b>Total Liabilities</b>	<b>25,255</b>
<b>Net Assets</b>	
Invested in capital assets	37,884
Unrestricted	3,023
<b>Total Net Assets</b>	<b>\$ 40,907</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 103,086
TOTAL OPERATING REVENUES	<u>103,086</u>
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant services:	
Services	<u>2,322</u>
Non-instructional programs:	
Food service operations:	
Salaries	103,218
Benefits	23,451
Supplies	173,955
Depreciation	6,285
Other	705
	<u>307,614</u>
TOTAL OPERATING EXPENSES	<u>309,936</u>
OPERATING LOSS	<u>(206,850)</u>
NON-OPERATING REVENUES:	
State sources	2,920
Federal sources	178,234
Interest income	123
TOTAL NON-OPERATING REVENUES	<u>181,277</u>
Change in net assets before other financing sources	(25,573)
OTHER FINANCING SOURCES:	
Transfer in	<u>30,000</u>
Net income	4,427
Net assets beginning of year	<u>36,480</u>
Net assets end of year	<u>\$ 40,907</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 102,308
Cash received from miscellaneous	535
Cash payments to employees for services	(123,363)
Cash payments to suppliers for goods or services	(162,711)
Net cash used in operating activities	<u>(183,231)</u>
Cash flows from non-capital financing activities:	
Transfer from the General Fund	15,000
State grants received	2,920
Federal grants received	172,024
Net cash provided by non-capital financing activities	<u>189,944</u>
Cash flows from investing activities:	
Interest on investments	123
Net cash provided by investing activities	<u>123</u>
Net increase in cash and cash equivalents	6,836
Cash and cash equivalents at beginning of year	<u>(11,681)</u>
Cash and cash equivalents at end of year	<u><u>\$ (4,845)</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (206,850)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,487
Depreciation	6,285
Decrease in inventories	784
Decrease in accounts receivable	123
Increase in salaries and benefits payable	3,306
Decrease in unearned revenue	(366)
Net cash used in operating activities	<u><u>\$ (183,231)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ (4,845)</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$13,487.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	Private Purpose Trust Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 4,680	0
Due from other governments	0	16,304
<b>Total Assets</b>	<b>4,680</b>	<b>16,304</b>
<b>Liabilities</b>		
Excess of warrants issued over bank balance	\$ 0	16,304
<b>Net Assets</b>		
Unrestricted	<b>\$ 4,680</b>	<b>0</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2007

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	<u>\$          418</u>
Deductions:	
Scholarships	<u>5,000</u>
Loss before other financing sources	(4,582)
Other financing sources:	
Transfer in	<u>9,262</u>
Change in net assets	4,680
Net assets beginning of year	<u>0</u>
Net assets end of year	<u>\$      4,680</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The Bedford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bedford, Iowa, and the predominate agricultural territory in Taylor and Ringgold Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Bedford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bedford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Taylor and Ringgold Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax

accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:



	Amortized Cost
Diversified portfolio	<u>\$ 87,973</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue - Physical Plant and Equipment Levy	\$ 21,420
Nutrition	General	30,000
Private Purpose Trust	Special Revenue, Expendable Trust	9,262
Debt Service	Capital Projects	<u>125,109</u>
Total		<u>\$ 185,791</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/28/07	6/27/08	\$ 506,199	151	507,000	129

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ 0	200,000	200,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

##### (5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 117,473	0	0	117,473
Less accumulated depreciation	73,304	6,285	0	79,589
Business-type activities capital assets, net	\$ 44,169	(6,285)	0	37,884

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,400	6,500	0	19,900
Total capital assets not being depreciated	13,400	6,500	0	19,900
Capital assets being depreciated:				
Buildings	6,059,733	54,505	0	6,114,238
Land improvements	594,312	16,153	0	610,465
Machinery and equipment	1,024,230	76,415	82,463	1,018,182
Total capital assets being depreciated	7,678,275	147,073	82,463	7,742,885
Less accumulated depreciation for:				
Buildings	1,681,217	165,283	0	1,846,500
Land improvements	299,125	26,387	0	325,512
Machinery and equipment	855,530	63,547	70,364	848,713
Total accumulated depreciation	2,835,872	255,217	70,364	3,020,725
Total capital assets being depreciated, net	4,842,403	(108,144)	12,099	4,722,160
Governmental activities capital assets, net	\$ 4,855,803	(101,644)	12,099	4,742,060

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 19,541
Support services:	
Administration	3,779
Operation and maintenance	9,260
Transportation	30,967
	63,547
Unallocated depreciation	191,670
Total governmental activities depreciation expense	\$ 255,217
Business-type activities:	
Food services	\$ 6,285

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,105,000	0	175,000	930,000	175,000
Capital loan notes	115,000	0	15,000	100,000	20,000
Early retirement	35,268	81,115	35,268	81,115	81,115
Total	<u>\$ 1,255,268</u>	<u>81,115</u>	<u>225,268</u>	<u>1,111,115</u>	<u>276,115</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of July 1, 2003			
		Principal	Interest	Total	
2008	2.50 %	\$ 175,000	26,125	201,125	
2009	2.50	180,000	21,750	201,750	
2010	3.00	185,000	17,250	202,250	
2011	3.00	195,000	11,700	206,700	
2012	3.00	195,000	5,850	200,850	
Total		<u>\$ 930,000</u>	<u>82,675</u>	<u>1,012,675</u>	

Capital Loan Notes Payable

Details of the District's June 30, 2007 capital loan notes indebtedness are as follows:

Year Ending June 30,	Interest Rates	Capital Loan Notes			
		Principal	Interest	Total	
2008	4.50 %	\$ 20,000	5,360	25,360	
2009	4.60	20,000	4,460	24,460	
2010	4.70	20,000	3,540	23,540	
2011	6.50	20,000	2,600	22,600	
2012	6.50	20,000	1,300	21,300	
Total		<u>\$ 100,000</u>	<u>17,260</u>	<u>117,260</u>	

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined

benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$171,369, \$167,332 and \$163,096 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Bedford Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$163,878 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Types	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 2,615,070	103,209	2,718,279	2,519,643	2,519,643	198,636
State sources	2,449,830	2,920	2,452,750	2,575,323	2,575,323	(122,573)
Federal sources	213,966	178,234	392,200	350,000	350,000	42,200
Total revenues	5,278,866	284,363	5,563,229	5,444,966	5,444,966	118,263
Expenditures:						
Instruction	3,155,078	0	3,155,078	3,496,944	3,750,000	594,922
Support services	1,513,997	2,322	1,516,319	1,579,645	2,225,000	708,681
Non-instructional programs	0	307,614	307,614	336,327	500,000	192,386
Other expenditures	547,031	0	547,031	543,077	1,500,000	952,969
Total expenditures	5,216,106	309,936	5,526,042	5,955,993	7,975,000	2,448,958
Excess(deficiency) of revenues over(under) expenditures	62,760	(25,573)	37,187	(511,027)	(2,530,034)	2,567,221
Other financing sources, net	(38,092)	30,000	(8,092)	6,500	6,500	(14,592)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	24,668	4,427	29,095	(504,527)	(2,523,534)	2,552,629
Balance beginning of year	748,024	36,480	784,504	759,728	759,728	24,776
Balance end of year	\$ 772,692	40,907	813,599	255,201	(1,763,806)	2,577,405

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment which increased expenditures by \$2,019,007.



OTHER SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>						
Cash and pooled investments	\$ 68,876	41,512	32,187	142,575	15,782	158,357
Receivables:						
Property tax						
Current year delinquent	3,347	0	1,527	4,874	2,149	7,023
Succeeding year	130,000	0	61,001	191,001	47,437	238,438
Accounts	0	723	0	723	0	723
<b>Total Assets</b>	<b>\$ 202,223</b>	<b>42,235</b>	<b>94,715</b>	<b>339,173</b>	<b>65,368</b>	<b>404,541</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 0	1,140	0	1,140	0	1,140
Deferred revenue:						
Succeeding year property tax	130,000	0	61,001	191,001	47,437	238,438
	130,000	1,140	61,001	192,141	47,437	239,578
Fund balances:						
Reserved:						
Debt Service	0	0	0	0	17,931	17,931
Unreserved	72,223	41,095	33,714	147,032	0	147,032
	72,223	41,095	33,714	147,032	17,931	164,963
<b>Total Liabilities and Fund Balances</b>	<b>\$ 202,223</b>	<b>42,235</b>	<b>94,715</b>	<b>339,173</b>	<b>65,368</b>	<b>404,541</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						Total
					Total	Debt	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Special Revenue Funds		
REVENUES:							
Local sources:							
Local tax	\$ 125,088	0	57,498	0	182,586	80,919	263,505
Other	8,042	194,532	1,049	0	203,623	2,009	205,632
Federal	0	0	25,000	0	25,000	0	25,000
TOTAL REVENUES	133,130	194,532	83,547	0	411,209	82,928	494,137
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	35,267	0	0	0	35,267	0	35,267
Other instruction	0	200,388	0	0	200,388	0	200,388
Support services:							
Administration services	7,154	0	0	0	7,154	0	7,154
Operation and maintenance of plant services	53,535	0	0	0	53,535	0	53,535
Transportation services	9,608	0	0	0	9,608	0	9,608
Other expenditures:							
Facilities acquisition	0	0	48,242	0	48,242	0	48,242
Long-term debt:							
Principal	0	0	0	0	0	190,000	190,000
Interest and fiscal charges	0	0	0	0	0	37,320	37,320
TOTAL EXPENDITURES	105,564	200,388	48,242	0	354,194	227,320	581,514
Excess(deficiency) of revenues over(under) expenditures	27,566	(5,856)	35,305	0	57,015	(144,392)	(87,377)
OTHER FINANCING SOURCES(USES):							
Transfers in	0	0	0	0	0	146,529	146,529
Transfers out	0	0	(21,420)	(9,262)	(30,682)	0	(30,682)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(21,420)	(9,262)	(30,682)	146,529	115,847
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	27,566	(5,856)	13,885	(9,262)	26,333	2,137	28,470
FUND BALANCES BEGINNING OF YEAR	44,657	46,951	19,829	9,262	120,699	15,794	136,493
FUND BALANCES END OF YEAR	\$ 72,223	41,095	33,714	0	147,032	17,931	164,963

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>HS Athletics:</b>				
Football	\$ 11,752	9,523	13,857	7,418
Volleyball	0	15,497	12,858	2,639
Basketball	11,527	20,499	26,754	5,272
Wrestling	(340)	3,806	4,092	(626)
Track	(3,444)	4,384	3,776	(2,836)
Softball	(4,028)	4,450	3,728	(3,306)
Baseball	(4,320)	4,841	5,680	(5,159)
Golf	0	314	314	0
Cross Country	0	1,170	1,170	0
	11,147	64,484	72,229	3,402
<b>HS Clubs &amp; Organizations:</b>				
FFA	8,858	12,681	12,089	9,450
FHA	955	1,828	1,549	1,234
Iron Man Club	55	0	0	55
NHS	553	419	429	543
Student Council	1,483	8,339	9,641	181
SADOBS	563	1,025	750	838
Instrumental Club	(100)	1,337	1,421	(184)
Vocal	668	180	333	515
Swish and Spike Club	2,226	10,513	9,809	2,930
BPA	931	7,042	6,226	1,747
Yearbook	4,895	5,739	6,101	4,533
Bulldog Club	1,216	4,768	5,594	390
Cheerleaders	(2,992)	10,736	10,745	(3,001)
Art	978	0	78	900
Musical	726	4,676	4,369	1,033
Music Club	9	0	0	9
Class of 2007	6,210	4,661	10,871	0
Class of 2008	325	20,947	13,947	7,325
Class of 2009	659	0	0	659
Class of 2010	939	0	65	874
Class of 2011	824	400	123	1,101
Class of 2012	400	400	0	800
Class of 2013	0	400	0	400
	30,381	96,091	94,140	32,332

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>MS Athletics:</b>				
Volleyball	492	1,352	708	1,136
Basketball	735	1,723	1,101	1,357
Wrestling	750	496	130	1,116
Track	1,055	1,873	1,592	1,336
Softball	189	772	1,867	(906)
Baseball	0	788	586	202
Football	700	501	240	961
	<u>3,921</u>	<u>7,505</u>	<u>6,224</u>	<u>5,202</u>
<b>MS Clubs &amp; Organizations:</b>				
Student Council	51	62	62	51
Magazine Sales	0	8,551	8,551	0
	<u>51</u>	<u>8,613</u>	<u>8,613</u>	<u>51</u>
<b>Elementary Clubs &amp; Organizations:</b>				
PTK Club	845	190	489	546
K-8 Book Fair	0	4,598	4,591	7
Teachers	0	788	872	(84)
Student Council	1,044	2,169	2,761	452
Yearbook	(884)	0	0	(884)
	<u>1,005</u>	<u>7,745</u>	<u>8,713</u>	<u>37</u>
<b>District-wide Accounts:</b>				
Great Race	193	116	0	309
Activity Tickets	0	3,265	3,265	0
Interest	0	574	574	0
Field Trips	(356)	2,068	1,629	83
After Prom	709	3,615	4,228	96
Accruals	(100)	456	773	(417)
	<u>446</u>	<u>10,094</u>	<u>10,469</u>	<u>71</u>
Total	<u>\$ 46,951</u>	<u>194,532</u>	<u>200,388</u>	<u>41,095</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Due from other governments	\$ 21,384	46,801	51,881	16,304
<b>Liabilities</b>				
Excess of warrants issued over bank balance	\$ 21,384	46,801	51,881	16,304

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 1,944,692	1,924,607	1,916,676	1,715,835
Tuition	346,398	288,236	286,952	226,566
Other	323,980	265,122	223,187	255,583
Intermediate sources	0	0	0	13,842
State sources	2,449,830	2,434,906	2,448,145	2,387,939
Federal sources	213,966	215,985	276,921	202,782
Total	<u>\$ 5,278,866</u>	<u>5,128,856</u>	<u>5,151,881</u>	<u>4,802,547</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,714,689	1,742,618	1,685,586	1,827,291
Special instruction	726,034	668,187	631,157	681,621
Other instruction	714,355	692,015	699,544	461,861
Support services:				
Student services	118,310	125,990	119,110	126,943
Instructional staff services	163,211	154,620	145,669	66,160
Administration services	576,913	541,728	470,936	516,767
Operation and maintenance of plant services	437,604	419,410	473,976	362,397
Transportation services	217,959	197,344	205,110	174,590
Other support services	0	0	0	64,068
Other expenditures:				
Facilities acquisitions	155,833	189,443	86,976	56,448
Long-term debt:				
Principal	190,000	185,000	180,000	180,000
Interest and other charges	37,320	41,365	45,377	194,065
AEA flow-through	163,878	159,486	159,710	161,018
Total	<u>\$ 5,216,106</u>	<u>5,117,206</u>	<u>4,903,151</u>	<u>4,873,229</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Bedford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bedford Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 8, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bedford Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Bedford Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bedford Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bedford Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Bedford Community School District's financial statements that is more than inconsequential will not be prevented or detected by Bedford Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Bedford Community School District's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bedford Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bedford Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Bedford Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bedford Community School District and other parties to whom Bedford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bedford Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 8, 2008

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-07 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage. The users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tony Brown, Board Member Manager of Hy-Vee	Supplies	\$78,984
Kay Goodridge, Para-educator Distributor for Home Interior	Candles	\$4,208
Cheryl Johnston, Secretary Personal services	Sewing	\$10
Donna Walston, Bus Driver Personal services	Baked cakes	\$41

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with Tony Brown does not appear to represent a conflict of interest based on a legal opinion the District received.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Kay Goodridge, Cheryl Johnston and Donna Walston do not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-07 Student Activity Fund - We noted during our audit that the Student Activity Fund included several deficit account balances at June 30, 2007.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods and services from these accounts. The District should investigate alternatives to eliminate the deficit balances.

Response - We will monitor these funds and accounts.

Conclusion - Response accepted.

II-K-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - We have contacted the bank and are now receiving the fronts and backs of all the checks.

Conclusion - Response accepted.